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Chairman: Mr. Ashe ..... (Antigua and Barbuda)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Saha

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The meeting was called to order at 10.10 a.m.

Agenda item 126: Improving the financial situation of the United Nations (*continued*) (A/60/427/Add.1)

1. **Mr. Sach** (Controller) drew the Committee's attention to document A/60/427/Add.1, which contained the Secretary-General's report on the financial situation of the United Nations as at 31 December 2005 and 30 April 2006. The document contained the text of the statement that he, the Controller, had delivered to the Committee at its meeting of 24 May 2006 (A/C.5/60/SR.53). However, he wished to point out two changes made to the text. First, the figure in the second line of paragraph 14 had been changed to $233 million; it had originally been given as $277 million. Second, Switzerland had been added to the list of States that had paid in full all their due and payable assessments (paragraph 24).

2. **Mr. Drofenik** (Austria), speaking on behalf of the European Union; the acceding countries Bulgaria and Romania; the candidate countries Croatia, the former Yugoslav Republic of Macedonia and Turkey; the stabilization and association process countries Albania and Serbia and Montenegro; and, in addition, Iceland, Liechtenstein, Norway and the Republic of Moldova, said that although the financial situation of the United Nations had shown a moderate improvement in recent years, the decline in the level of payments and the increase in the level of unpaid assessments were matters of concern.

3. Efforts must be made to ensure that the Organization would have the necessary funds available to meet its obligations during the second half of 2006. Over the years, the late payment and non-payment of assessed contributions had been an issue of serious concern to the European Union. Non-compliance by Member States with their financial obligations endangered the liquidity of the Organization, regularly resulting in the need to cross-borrow from closed peacekeeping operations and to delay payments to troop-contributing countries. The European Union therefore urged all Member States to make a serious effort to make their payments on time.

4. During the current part of the General Assembly's resumed session, the Committee would be presented with a detailed report on investing in the United Nations which would include, inter alia, specific measures to encourage timely payment of contributions and to improve the availability of cash for peacekeeping operations. The European Union would give positive consideration to all efforts to improve the Organization's financial situation.

5. **Ms. Soni** (Canada), speaking also on behalf of Australia and New Zealand, noted with satisfaction that the Organization's financial situation had generally been better in 2005 than in 2004. However, the general improvement should not hide the fact that the level of unpaid assessments had risen. It was encouraging that the number of Member States that had paid their regular budget assessments in full at the end of 2005 was the highest in at least five years. However, 51 Member States had chosen not to comply with their obligations under the Charter, with three Member States accounting for 85 per cent of the amounts outstanding.

6. Moreover, the situation at the end of April 2006 had not been as positive, with payments received at a much lower level and unpaid assessments much higher than at the same point in 2005. The liquidity necessary to ensure efficient, full and effective implementation of mandated programmes depended on the timely and full payment of assessed contributions. It was therefore to be hoped that Member States would fulfil their obligations under the Charter as soon as possible.

7. The situation of the peacekeeping budget was extremely poor, with nearly $3 billion outstanding at the end of 2005, and only 22 countries having paid in full. Peacekeeping missions had increased in number, size and complexity, and could not carry out their mandates effectively without sufficient resources. She urged the 169 Member States that had not yet paid their 2005 assessments to do so in full and without conditions. Failure to do so placed at risk the United Nations military and civilian personnel working in the field, as well as the people they were trying to help, and contributed to delays in reimbursing troop-contributing countries.

8. The retention of funds in the accounts of closed peacekeeping missions in order to manage cash shortfalls in other accounts continued to penalize those Member States that had paid their assessments. It represented a short-term solution which the Secretary-General was forced to use because many Member States were not meeting their obligations. If the General Assembly wished to maintain its restrictions on cross-borrowing, it must provide sufficient liquidity

for all peacekeeping missions and international tribunals so that cross-borrowing would not be necessary.

9. It was gratifying to note that unpaid assessments for the international tribunals had declined for the second year in succession. However, although the number of countries with amounts outstanding had declined since the previous year, there were still 98 Member States in that position.

10. The "honour roll" of countries that had paid their assessments in full was, yet again, lamentably short. The delegations of Australia, Canada and New Zealand looked forward to the time when such a list was no longer necessary because all Member States had fulfilled their obligations under the Charter. Until then, however, they would urge every Member State to aspire towards inclusion in the list.

11. **Ms. Lock** (South Africa), speaking on behalf of the Group of 77 and China, said that the Committee was discussing the financial situation of the Organization at a difficult time. On 29 May 2006, at the Special Ministerial Meeting held in Putrajaya, Malaysia, the Group of 77 and China had noted with concern that the United Nations was operating under a spending cap that limited the manner in which the Secretary-General could implement his mandates.

12. The Group remained concerned about the policy of withholding financial obligations due to the United Nations, thereby creating a linkage with the reform of the Organization. The deliberate withholding of funds budgeted for 2006 created artificial political leverage which altered the established principle that governance of the Organization should be based on the sovereign equality of Member States. The Group was deeply apprehensive about the grave implications of the spending cap for the financial health of the Organization.

13. The spending cap had been imposed on the Organization during the 2005 budget negotiations. The Group of 77 and China had made clear, at that time, that it believed that the spending cap would be automatically lifted when the Secretary-General made a request for the funds, which had already been approved. The Group had not recognized any linkage between the unprecedented, one-time decision to introduce a spending cap and the collective efforts of Member States to reform the Organization in various areas. Furthermore, the Group had been assured during the negotiations that the spending cap was not intended to harm the Organization.

14. At the Special Ministerial Meeting, the Group had reaffirmed that efforts to use the size of financial contributions to push for the adoption of certain proposals were counterproductive and violated Member States' obligations to provide resources for the Organization. Moreover, it had reaffirmed that in order to avoid a crisis within the Organization, the spending cap could be automatically lifted.

15. The Group had been encouraged to hear that the financial situation of the Organization was generally quite positive. However, the improvements were overshadowed by indications that the financial position of the regular budget at 30 April 2006 had been weaker than at the same date in 2005, even though more Member States had paid their assessed contributions in full. It appeared from the Secretary-General's report that those Member States that had imposed the spending cap were placing an additional burden on the financing of the Organization by not paying their assessments in full and on time.

16. The Group would appreciate receiving more information on the Organization's expenditure pattern over the first five months of the current year, as well as on the amount that had been spent thus far. It sought reassurances from the Secretariat that the implementation of programmes and activities funded from the regular budget had not been delayed or scaled down during 2006. It also sought assurances that funds were not being diverted from so-called non-essential activities to finance other activities. Such actions would lead to a reprioritization of the programmes and activities approved by the General Assembly in the programme budget for the biennium 2006-2007 and in the biennial programme plan. The Group wished to stress that the setting of the Organization's priorities was the prerogative of Member States, as reflected in legislative mandates.

17. The Group of 77 and China welcomed the indication that the financial situation of the two international tribunals had continued to improve. However, it was disconcerting to note that more than half of Member States had not paid their dues to one or both tribunals, in full, by the end of 2005. As a result, the tribunals remained in a difficult financial position and might have to continue with the unhealthy practice

of cross-borrowing from peacekeeping operations to provide supplementary financing in 2006.

18. With regard to the amounts owed to troop and equipment contributors, the Group welcomed the indications that payments made by the Secretariat had exceeded the projections made in October 2005, thereby reducing to $695 million the debt owed to Member States. However, that amount was still high. Every effort should therefore be made to reduce further the amounts owed to Member States while recognizing that certain factors might affect the Secretariat's ability to reimburse Member States in a timely manner.

19. The Group wished to reaffirm its commitment to meeting its legal obligations to bear the expenses of the Organization, in accordance with the Charter, and urged other Member States to join it in placing their commitment on record. Furthermore, while recognizing the need to extend sympathetic understanding to those Member States that were temporarily unable to meet their financial obligations as a consequence of genuine economic difficulties, the Group urged all Member States to pay their assessed contributions in full, on time and without conditions.

20. **Mr. Torrington** (Guyana), speaking on behalf of the Rio Group, said that the Secretary-General's report was a sobering reminder that the achievement of the shared ambitions of Member States was heavily dependent on the financial health of the Organization. Even though the Organization's financial position at the end of 2005 had generally been quite positive, much work remained to be done.

21. The Rio Group was heartened to see that a larger number of Member States had met their financial obligations in full. However, the Secretary-General's report made clear that the Organization's overall financial situation was fragile. The current part of the General Assembly's resumed session provided a significant opportunity to update the systems, processes and institutions of the United Nations by implementing wide-ranging and comprehensive reforms. Member States should seize that opportunity by ensuring that the Organization was provided with the necessary resources in a predictable and sustainable manner.

22. The Group called on all Member States to pay their assessed contributions in full and on time, although it was aware that some developing States were unable to do so because of difficult economic circumstances. In order to improve fiscal propriety in the Organization, it was essential to make the implementation of mandates more effective and efficient. The United Nations must therefore be provided with reliable and predictable resources, and should not be constrained by artificial spending limits.

23. The continued reduction in delays in reimbursements to troop-contributing countries was encouraging. However, further efforts must be made by several peacekeeping missions, such as the United Nations Interim Administration Mission in Kosovo (UNMIK) and the United Nations Mission for the Referendum in Western Sahara (MINURSO), in order to avoid the need to resort to cross-borrowing.

24. **Mr. Kozaki** (Japan) said that his delegation took note of the statement by the Controller on 24 May that the financial situation of the United Nations at the end of 2005 had generally been quite positive, but that the Organization still had a long way to go to achieve sound financial health. The commitment of Member States to pay their assessed contributions was essential in order to improve the Organization's financial situation. Japan, for its part, would continue to make every effort in that regard. It was equally important to maintain budgetary discipline; accordingly, Member States should exercise appropriate judgement when establishing new mandates with resource implications and when deciding what constituted an efficient and effective use of resources. The current discussions on management reform and mandate review were therefore vital. His delegation would continue to participate actively and constructively in those ongoing endeavours.

25. **Mr. Cho** Hyun (Republic of Korea) said that his delegation was pleased to see signs of improvement in the Organization's financial situation, particularly the improvement in its cash position across all areas. The lower level of unpaid assessments for the tribunals and for the regular budget was another positive development, and he hoped that the level of outstanding debt to Member States would continue to fall.

26. Despite those signs of improvement, the future remained uncertain. As repeatedly noted in the Secretary-General's report, the bulk of the outstanding assessments in every category was owed by a small number of Member States on which the United Nations was particularly dependent. It should be recalled that

payment of assessed contributions was a responsibility of Member States and that the Organization could implement Member States' decisions only if it was provided with the necessary resources. His delegation hoped that as the reform process moved forward, all Member States would feel increasingly confident that their contributions were being well spent.

27. The Republic of Korea acknowledged its own responsibilities in that regard. Because of rapid increases in both the peacekeeping budget and his country's share of it, the Republic of Korea had been unable to keep up with its assessed contributions for peacekeeping operations. However, after consultations among the various ministries concerned, his Government had developed a payment plan that would allow it to keep pace with future contributions while paying all outstanding peacekeeping assessments by the end of 2008. The Republic of Korea remained fully committed to multilateralism and to the United Nations, and regarded its financial and other responsibilities to the United Nations with the utmost seriousness.

28. **Mr. Mazumdar** (India) said that because of several factors that had influenced the Committee's debate over the last few months, the Committee's current discussion of the financial situation of the Organization was totally irrelevant. It was odd that the Controller, in his statement on the financial situation of the United Nations, had made no mention of the single biggest issue affecting that situation: the spending cap imposed by Japan and the United States of America, with significant support from the United Kingdom acting on behalf of the European Union. That had opened up a new source of conflict between Member States, to the detriment of decision-making by consensus. It had also raised serious constitutional and other issues. First, those Member States which refused to lift the spending cap automatically by the end of June 2006 would be in violation of the Charter of the United Nations. The General Assembly had approved the budget for the biennium 2006-2007, and no restriction could be placed on meeting the expenditures of the Organization without violating the Charter.

29. Second, whereas his Government, like many others, had paid its assessed contribution to the Organization in full for the entire year, those Member States that had imposed the spending cap had not, and therefore had no right to determine whether the contribution of the Government of India to the United Nations could or could not be utilized by the Secretary-General.

30. Third, his Government refused to believe that the spending cap would have no effect on the work of the Organization. It might be asked whether, if the budget appropriation were to be neatly divided into four parts, the Organization could work seamlessly from one half-year to the next, without disruption. That question should be addressed by the Committee, and he therefore requested that informal consultations should be scheduled on the financial situation of the United Nations.

31. **Mr. Rahman** (Malaysia) said that it was imperative to provide the United Nations with predictable, stable and adequate funding in order to ensure its efficiency and smooth functioning. His delegation was delighted to note the positive developments in the payment of assessed contributions to the regular budget as at 31 December 2005. However, the financial position of the regular budget on 30 April 2006 had been weaker than at the same stage in 2005. In view of the constraints and uncertainties of the current financial situation, Malaysia fervently hoped that all Member States would pay their assessed contributions to the Organization in full, on time and without conditions.

32. The improvement in the financial position of peacekeeping operations was encouraging. It was vital to provide adequate resources and tools to peacekeeping operations so that they could carry out their mandates effectively and successfully. His delegation hoped that the progress achieved in resolving the financial situation of the international tribunals would be continued.

33. The 2005 World Summit Outcome stressed the need to revitalize the Organization so that it could address global challenges and regain the confidence of the global community, and proposed a series of reform measures aimed at providing the Organization with the necessary resources. His delegation firmly believed that reform was a gradually evolving process which should be based on the collective views of all Member States, in line with the principle of sovereign equality.

34. Malaysia hoped that the decision taken in December 2005 to impose a six-month spending cap would not set a precedent and that Member States would be able to adopt a budget for the remainder of the 2006-2007 biennium. All decisions should be

carefully studied in order to avoid any consequences that would further undermine consensus among Member States.

35. It was essential to put the United Nations on a healthy and stable financial footing in order to ensure that all operations were carried out within the expected time frames, and in an efficient manner. His delegation was aware of the difficulties faced by some Member States in settling their arrears, but trusted that the Member States concerned would honour their commitments and settle their arrears without conditions.

36. **Mr. Hussain** (Pakistan) said that, despite some improvement in the Organization's financial situation, its future was still uncertain. His delegation would carefully review the statement expected at the end of June 2006, which would provide firm data regarding the current and future situation.

37. The payment of contributions in full and on time, in accordance with capacity to pay, was a fundamental obligation of Member States to the United Nations and must not be used as a bargaining chip, even for ostensibly noble purposes such as reform. Such conditionality was not justified on any grounds. He agreed with the representative of India that it was not only unconstitutional, but also violated the rights of States such as Pakistan that had paid their contributions in full. It was not right that funds should be withheld at the insistence of States that had not even settled their own accounts.

38. The huge amounts outstanding in both the regular budget and peacekeeping accounts were indeed disturbing and had serious implications for the creation of new mandates and the implementation of existing ones. The absence of financial support forced the Organization to resort to emergency measures such as cross-borrowing, delayed payments to troop-contributing countries and jeopardized programmes relating to development and social issues that were of interest to a large part of the membership. It also seriously constrained the Secretary-General and his team in ensuring effective delivery of mandated tasks and undermined the implementation of agreed mandates, particularly those of priority to developing countries. His delegation welcomed the Secretary-General's innovative proposals to ensure payment from States which, without any valid reason, had started a policy of withholding their contributions, and hoped that a consensus would emerge on those proposals.

39. Calls for reform should go hand in hand with the timely payment of contributions. The policy of pushing for reform while at the same time not settling outstanding contributions was ironic and contradictory. The only area requiring urgent and immediate reform was that one, in order to place the United Nations on a solid financial footing. The focus on other areas seemed to be a cunning means of evading those issues that really harmed the Organization and prevented it from delivering mandates that were of interest to everyone. He hoped that reform efforts would move in that direction, instead of stirring up contentious issues which were not leading the Committee to any kind of consensus.

40. **Mr. Berti Oliva** (Cuba) said that, owing to external factors beyond its control, his delegation had been unable to prepare a formal statement for the current meeting. He therefore requested that the discussion of the agenda item should be kept open. His delegation would be ready to make a formal statement the following week.

41. **Mr. Drofenik** (Austria), speaking on behalf of the European Union and responding to the statement made by the representative of India, said that limited spending authority was just one of many elements contained in General Assembly resolution 60/247 on the programme budget for the biennium 2006-2007. The resolution struck a balance among the interests of different Member States and had been adopted by consensus. As far as he recalled, not a single delegation had refrained from joining the consensus. The notion that limited spending authority had been imposed by some Member States, or a group of Member States, was therefore simply incorrect.

42. His delegation had reservations about holding informal consultations on the financial situation of the United Nations when it did not know what exactly would be discussed. For many years, it had been the Committee's practice not to hold informal consultations on the issue. Moreover, if he recalled correctly, when a similar request had arisen at a previous Bureau meeting, it had been turned down. Since a new request for informal consultations had been made, it might be a good idea to organize a Bureau meeting to discuss the issue.

43. **Mr. Muhith** (Bangladesh) said that his delegation welcomed the fact that the financial situation of the Organization at the end of 2005 had been more or less positive, but had also taken note of the Controller's comment that the Organization had a long way to go before it would have a clean bill of financial health. As a State that had always paid its assessed contributions to both the regular budget and peacekeeping accounts in full and on time, Bangladesh was concerned about the adverse situation created by the non-payment of contributions. Member States should pay their contributions in full, on time and without conditions, in keeping with their Charter obligations. Nevertheless, States that were temporarily unable to fulfil their financial obligations for reasons beyond their control should be given sympathetic consideration through the established procedures.

44. As for peacekeeping operations, his delegation was pleased that the amount owed to troop-contributing countries had fallen. However, it expected further improvement and hoped that the practice of cross-borrowing would not make the situation worse.

45. **Mr. Sun** Xudong (China) said that the time had come to discuss the removal of the limitation placed on the Secretary-General's spending authority.

46. **Mr. Mazumdar** (India) said that he was amazed by the statement made by the representative of Austria on behalf of the European Union that a spending cap had been imposed at the unanimous wish of the entire membership. While it was true that the spending cap was mentioned in a General Assembly resolution, his delegation had made it clear that it had been a condition imposed by a small group of countries on all the others. If there was any doubt on that score, he would refer the representative of Austria to the statements issued by the Movement of Non-Aligned Countries and the Group of 77 in Putrajaya, Malaysia.

47. **Ms. Lock** (South Africa), speaking on behalf of the Group of 77 and China, said that it was not helpful to selectively recall the events of December 2005. Given the other comments that had been made, she felt obliged to reiterate the position of the Group of 77 and China, as expressed by the representative of Jamaica, the Group's former Chair, upon the adoption of General Assembly resolution 60/247. At the meeting in question (A/60/PV.69), the Group had made it very clear that it had been faced with a very difficult choice. It could have called for a vote, thereby placing the United Nations in a financial crisis, but that would not have been useful to the Organization or to collective efforts to reform it. It had therefore reluctantly accepted the proposal to impose a spending cap, on the understanding, based on assurances given behind closed doors, that the spending cap would automatically be lifted and that the intention was not to harm the United Nations or reopen the budget. South Africa, in its national capacity, had also clearly stated that it found itself in a very unfortunate situation in which, despite very strong reservations, it had decided not to call for a vote.

48. All of the Assembly's resolutions must be implemented, regardless of how they had been adopted. Resolution 60/247 stated very clearly that when the Secretary-General submitted a request, he would receive the funds. It was also the understanding of the Group of 77 and China that it would happen automatically, and that it was a one-time, unprecedented measure that would not be repeated. Since the resolution and the Group's understanding of it were very clear, it did not seem necessary to embark on a lengthy discussion of the issue at the current stage.

49. **Ms. Taylor Roberts** (Jamaica) said that the representative of South Africa had very accurately described the events of December 2005. The issue of the spending cap was critical to any discussion about the financial situation of the Organization. Although the representative of South Africa had said that the Group of 77 and China had "reluctantly accepted" the proposal to impose a spending cap, in fact the Group had directly opposed it, in negotiations that had gone on well into the night. The Group of 77 and China, which comprised 132 States, could have called for a vote to oppose a provision that was totally against the spirit of the Charter. However, it had not done so, and the resolution had been adopted. It was important to note the resolution's clear indication that when the Secretary-General submitted a request for funds, it would be approved.

50. One of the reasons why it was necessary to oppose the practice of having small groups adopt decisions or "agreed recommendations", as proposed in the Secretary-General's reform report (A/60/692), was that the commitment given behind closed doors — that the spending cap was not linked to reform but was merely symbolic, and that it had not been intended to hurt the Organization — had been immediately

revoked in statements made in the plenary. The decision had been imposed through blackmail by States that held control of the purse. The Group had squarely opposed the spending cap, but had not sought a vote, as there had been much political pressure and talk of bringing down the Organization. The Group had yielded on that occasion, but would not do so again.

51. If anyone wished to have a copy of the statement made by the Group of 77 and China upon the adoption of the resolution by the General Assembly, she would be pleased to provide one.

52. **Ms. Shah** (United States of America), reserving her delegation's right to speak on the issue at a future meeting, said that the representative of Austria, speaking on behalf of the European Union, had been correct in stating that resolution 60/247 had been adopted by consensus. Moreover, her delegation did not understand the need to hold informal consultations on the subject under the current agenda item, as it could not see what would be accomplished.

53. **Mr. Berti Oliva** (Cuba) said that, in line with its long-held position, his delegation fully supported the request made by the representative of India for informal consultations on the issue.

54. **Mr. Drofenik** (Austria) said that he had been misquoted. He had not said that the limit on spending authority had been supported by all States. He was well aware that each country or group of countries supported some parts of the resolution more, and others less. He was also fully aware of the position of the Group of 77 and China on the matter. However, the notion that the limited spending authority had been imposed was incorrect. It had been the outcome of an attempt to balance various interests in the resolution, which had been adopted by consensus.

55. **Mr. Hussain** (Pakistan) said that his delegation supported the request for informal consultations on the subject. He noted that the second statement made by the representative of Austria had been more accurate than the first.

56. The representatives of Jamaica and South Africa had correctly stated that December 2005 had been a very difficult moment. To demonstrate their good faith, and at the request of the Secretary-General, the Group of 77 and China had agreed to a one-time, unprecedented, temporary measure in order to avoid a very serious crisis. He had hoped that the European Union, at least, would share that understanding of the spending cap and that, as implied in the resolution, when the Secretary-General requested expenditure of the remaining funds, his request would be approved. However, some of the comments made at the current meeting suggested that the Organization was heading towards a very serious financial situation and that the spending cap had not been an ad hoc confidence-building measure, but part of a deliberate plan which would undermine trust among States. Thus, States would be more cautious in the future about agreeing to proposals that were unacceptable to them and would not so readily believe assurances which were not matched by action. He hoped that, when the time came, the Committee would approve the request of the Secretary-General for expenditure of the remaining funds with no further conditionality, which would merely undermine the normal pattern of work of the Assembly.

57. **Ms. Udo** (Nigeria) said that her delegation endorsed the request to keep the agenda item open and would be making a formal statement on the issue at a future meeting. She noted that the second statement by the representative of Austria had modified the first one. Delegations should therefore focus on the second statement. She welcomed the offer by the Jamaican delegation to circulate the statement made on behalf of the Group of 77 and China at the end of the budget negotiations in late 2005, as it would help put the discussion in the correct light.

58. Her delegation shared the sentiments expressed by the representative of India, as endorsed by several other speakers before her. She strongly cautioned against the conduct of small group discussions behind closed doors, since they always give rise to several versions of what had actually transpired, and led to discussions such as the one taking place at the current meeting. The practice must therefore stop. Each Member State should be able to speak for itself.

59. **Mr. Kozaki** (Japan) said that he did not wish to reiterate his delegation's position again. The record of the previous year's meeting was available for anyone wishing to consult it. The current discussion, which would clearly take a long time, was not constructive, given the unpropitious atmosphere in the Committee. While dialogue was important, delegations should seek to have the best possible dialogue.

60. **Mr. Mazumdar** (India) said that civility had always been a hallmark of the Committee. He therefore wished to gently caution the representative of Austria about his choice of words.

61. The representative of Austria had made a very spirited attempt to defend the indefensible; however, the statements made by the representatives of Nigeria and Jamaica and by the representative of South Africa on behalf of the Group of 77 and China spoke for themselves. The representative of Japan had rightly spoken of the need for dialogue. He sincerely hoped that it would not be a "dialogue of the deaf", as it was proving to be.

62. **Mr. Elnaggar** (Egypt) said that it was important for the Committee to discuss the spending cap. The General Assembly had indeed adopted resolution 60/247 by consensus, but the consensus had been reached at gunpoint. He was pleased that, under the terms of the resolution, at the request of the Secretary-General the Assembly would automatically lift the spending cap, also by consensus. The real question was not whether but when it would be appropriate to lift the cap. The Committee could not wait until the eleventh hour to take up the matter. A number of delegations, including his own, had expressed the wish to make statements on the issue in a formal setting. The item should therefore remain open, and the request for the holding of informal consultations on the item should be given serious consideration.

63. **Mr. Sach** (Controller) said that the Secretariat and, he believed, the entire membership fully endorsed the sentiments expressed at the Special Ministerial Meeting of the Group of 77, where the participants had reaffirmed the need to act in order to avoid a crisis at the United Nations. However, the question of the spending authority granted to the Secretary-General was not central to the item under consideration. The matter would be taken up under agenda item 124, "Programme budget for the biennium 2006-2007", the General Assembly's decision to restrict the Secretary-General's spending authority having been taken in the context of resolution 60/247 A on the biennial budget. In paragraph 3 of that resolution, the Assembly authorized the Secretary-General, while adhering to the existing procedures regarding the annual assessment on Member States, to enter into expenditure of a first tranche, limited to $950 million, as an exceptional measure. In order to ensure the availability of resources for programme delivery, the Assembly would act in response to a request from the Secretary-General, at an appropriate time, for expenditure of the remaining funds.

64. In that context, the Secretariat was monitoring the financial situation of the United Nations very closely. He had taken note of Members' interest in receiving additional information on the expenditure pattern over the last five months. Currently, such data were not available for the Organization as a whole. However, the Secretariat had examined very carefully the data it had and had concluded, based on the expenditure pattern of the first four months of 2006, that the resources available under the terms of resolution 60/247 A would be sufficient to meet the Organization's needs up to the end of June and during the first part of July. It would strive to update the expenditure data for the first five months of 2006 as quickly as possible. Firm figures should be available later in the month, and the Secretariat would then have a good basis for projecting expenditure for June. At that point, a report would be issued to Member States and the necessary recommendation regarding resources would be made. It was to be hoped that the Organization could then revert to a more normal pattern of financial control.

65. One delegation had sought reassurance that no programme funded from the regular budget had been delayed or scaled down in 2006. Financial control was more challenging over a 6-month period than over a 12-month period. Nevertheless, it was both feasible and appropriate to monitor expenditure carefully. By identifying programmes that spent faster than average and those that spent more slowly, the Secretariat had been able to avoid having to make transfers from non-essential to essential expenditure and had succeeded in carrying out normal operations during the first half of 2006 within the framework established in resolution 60/247 A.

66. He emphasized that, while the spending cap was a constraint on the efficient operation of the Organization, it was not the most binding constraint facing the Secretariat, as it could be lifted by a decision of the General Assembly. The real constraint was lack of availability of cash; the Organization could not spend what it did not have. As stated in document A/60/427/Add.1, as at 30 April 2006, unpaid regular budget assessments had amounted to $1.2 billion. The lifting of the spending cap would not of itself solve all the Organization's financial problems. That would require assessments to be paid in full and in a timely

fashion. At the end of April, regular budget cash resources had stood at $380 million. That was sufficient for just over two months' expenditure. In addition, there were reserves totalling $317 million in the Working Capital Fund and the Special Account, which would cover the Organization's expenditure up to the beginning of September.

67. The problem of unpaid assessments must be addressed. Indeed, it was the focus of the discussions under agenda item 126, "Improving the financial situation of the United Nations". That did not mean that the issue of the spending cap was not important. However, that matter would be considered under agenda item 124 later in the month, when all the relevant information was available.

68. **Mr. Saizonou** (Benin), speaking as the Vice-Chairman of the Committee, said that the information provided by the representative of Austria concerning the recent Bureau meeting was inaccurate. At no point had the Bureau decided that no informal consultations should be held on agenda item 126.

69. **Mr. Mazumdar** (India) said that the Controller appeared to have been speaking in earnest when he had asserted that the issue of the spending cap had no bearing on the financial situation of the United Nations. His delegation, however, remained convinced that the issue needed to be discussed. It would have no objection should the Committee wish to consider agenda items 124 and 126 together.

70. **Mr. Elnaggar** (Egypt) said that it was unacceptable for Secretariat officials to make pronouncements on decisions taken by Member States and on their sovereign right to discuss any issue at any time. His delegation wished to discuss the question of the spending cap and would do so irrespective of whether that was to the liking of those officials and whether they chose to take sides. The Secretariat must, nevertheless, abide by the principles of impartiality and neutrality. The Controller had stated that the spending cap was a non-issue. His delegation would like the Secretariat to confirm in writing that that was the case. If the real financial problem facing the Organization was indeed non-payment of assessed contributions, the Committee should consider the matter and take a decision thereon. Lastly, he called on the Secretariat to submit, in a formal setting, written responses to the questions raised by the Group of 77 and China.

71. **Mr. Drofenik** (Austria) said that he regretted his earlier choice of words and trusted that the professional atmosphere in which the Committee usually conducted its work could be restored.

72. **Mr. Sach** (Controller) concurred that it would be totally unacceptable for a Secretariat official to make suggestions concerning the issues that the Committee could or could not discuss. However, he had made no such suggestion. In his earlier remarks he had sought to explain why the question of the spending cap had not been addressed in the report before the Committee. He had not used the word "non-issue". Rather, he had stated that the Organization faced two distinct financial problems — the lack of availability of cash and the spending cap — each of which related to a separate agenda item. While the cap was subject to legislative remedy, the problem of unpaid assessments was not. It was an important issue that must be taken into account in considering the financial health of the United Nations.

Agenda item 148: Financing of the United Nations Mission in Liberia (A/60/645, A/60/653 and Corr.1 and Corr.2 and A/60/852)

73. **Ms. Pollard** (Director of the Peacekeeping Financing Division) introduced the performance report on the budget of the United Nations Mission in Liberia for the period from 1 July 2004 to 30 June 2005 (A/60/645) and the budget for the Mission for the period from 1 July 2006 to 30 June 2007 (A/60/653 and Corr.1 and Corr.2). The General Assembly had appropriated an amount of $821.9 million for the maintenance of the United Nations Mission in Liberia (UNMIL) for 2004/05. Total expenditure for the period had amounted to $740.9 million, leaving an unencumbered balance of $81 million. The lower-than-projected expenditure was attributable to reduced requirements under air transportation, owing to the non-utilization of one helicopter and a prolonged period of inclement weather; the purchase of rations for less than the budgeted amount and earlier-than-anticipated deployment of contingent-owned equipment, the cost of which had been charged to the previous financial period; higher vacancy rates for international staff, due to delays in recruitment; reduced requirements for generator fuel and rental of premises; and lower fuel consumption, owing to fewer miles driven than budgeted, as roads had been damaged in the rainy season.

74. In the light of the provisions of General Assembly resolution 60/255 concerning liabilities and funding for after-service health insurance benefits, the proposal made in the report regarding the treatment of the unencumbered balance required modification. Accordingly, the draft resolution on the financing of UNMIL would reflect the credit to Member States, in a manner to be determined by the General Assembly, of an amount of $108.3 million, comprising the unencumbered balance of $81 million and other income of $27.3 million.

75. The proposed budget for the Mission for the period from 1 July 2006 to 30 June 2007 (A/60/653 and Corr.1 and Corr.2) amounted to $716.8 million, representing a reduction of $5.6 million, or 8 per cent, compared with the appropriation for the current period. That was mainly attributable to lower requirements under facilities and infrastructure, owing to the relinquishment of premises rented for election preparations, and reduced requirements for the acquisition of vehicles.

76. The actions to be taken by the General Assembly were outlined in paragraph 32 of the report. However, in the light of the provisions of resolution 60/255 concerning liabilities and funding for after-service health insurance benefits, the draft resolution on the financing of UNMIL would reflect the exclusion from the amount to be appropriated for the maintenance of the Mission for 2006/07 of a related provision included under common staff costs and equivalent to 4 per cent of total net salaries.

77. **Mr. Abraszewski** (Vice-Chairman of the Advisory Committee on Administrative and Budgetary Questions (ACABQ)), introducing the related report of ACABQ (A/60/852), said that the Advisory Committee recommended a small reduction in the budget proposed for the Mission for 2006/07, relating to a request made for the establishment of one P-3 post for a Legal Officer. The Advisory Committee was concerned about the treatment in the budget proposal of positions funded from general temporary assistance. Regarding quick-impact projects, it believed that, in keeping with the original intent for such projects, overhead costs should be kept to a minimum. To that end, it requested that the number and level of posts in the Quick-Impact Projects Unit should be reviewed and that efforts should be made to identify implementing partners, including locally, in order to share the burden of the costs of administering projects.

78. **Ms. Udo** (Nigeria), speaking on behalf of the African Group, said that the Group attached great importance to UNMIL. Unfortunately, it could not take a position at the current time on any of the recommendations put forward in the report of the Advisory Committee, because it had not had sufficient time to consider it. She therefore reserved the right to revert to the item, including in a formal statement before the Committee.

79. Having glanced at the report, she had noted a few issues which the African Group would have wished to discuss and which she would be highlighting in informal consultations. She reiterated the Group's position originally stated at the Committee's 52nd meeting, that the successful implementation of the drawdown phase of the United Nations Mission in Sierra Leone (UNAMSIL) and the manner in which that Mission continued its work should serve as an example to be applied to other missions, particularly UNMIL.

80. The Group also took note of the proposed conversion of several positions recommended in the report, as well as the strong views expressed by the Vice-Chairman of the Advisory Committee on the funding of quick-impact projects. The Group would give its opinion on those and other issues on a subsequent occasion.

81. **Ms. Lock** (South Africa), speaking on behalf of the Group of 77 and China, expressed the Group's firm support for the activities of UNMIL. During the current negotiations, it would make every effort to ensure that the Mission received adequate support. UNMIL was at a very crucial juncture of its operations, and the Group would not support any decisions which might have a negative impact on the effective functioning of the Mission. The Group also reserved the right to express its position on the comments made by the Advisory Committee either in informal consultations or in a formal meeting.

82. With regard to procedure, as an exceptional measure the Group could agree to the proposal to proceed with informal consultations on the understanding that delegations would have an opportunity to make statements on UNMIL in a formal setting. Moreover, the need to give delegations sufficient time to consider the relevant reports should be taken into account in the scheduling of future meetings.

83. **Mr. Sena** (Brazil), aligning himself with the statement made by the representative of Nigeria on behalf of the African Group, said that his delegation would also like to reserve the right to state its position on UNMIL, which it fully supported. His delegation had not had sufficient time to consider the recommendations of the Advisory Committee carefully, although the report did raise some questions. Further information was needed, for example, on the recommendations regarding quick-impact projects. The item under discussion had a bearing on the image of the United Nations and was important for the success of other missions.

Agenda item 136: Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations (*continued*) (A/60/681 and Corr.1 and Add.1, A/60/682, A/60/699, A/60/700, A/60/711, A/60/713, A/60/715, A/60/717, A/60/720 and Add.1, A/60/727, A/60/787, A/60/807 and A/60/856)

84. **Mr. Karia** (Director of the Accounts Division, Office of Programme Planning, Budget and Accounts) presented additional information requested by delegations regarding the Organization's fact-finding into allegations of procurement irregularities. With respect to the possible conflict of interest when the Controller was responsible for procurement, he said that there was a potential conflict in control environments whenever a person proposing an action would be engaged in the subsequent approval of administrative steps to implement it. Therefore, in situations in which the Controller requisitioned procurement actions, he or she should not be the addressee of any related recommendations by the Headquarters Committee on Contracts. Accordingly, the Controller should not, and did not, approve any of that Committee's recommendations for requisitions by the Office of Programme Planning, Budget and Accounts; that policy fully safeguarded that Committee's independent role within the procurement cycle. That policy also applied to any requisitions made by a chief procurement officer, regardless of whether the person acting in that capacity was the Assistant Secretary-General in the Office of Programme Planning, Budget and Accounts or the Office of Central Support Services.

85. Concerning the action taken by the Secretariat to implement the recommendations in the report prepared by Deloitte Consulting LLP, the Procurement Service management had already undertaken a number of actions which the consultants had deemed to require immediate attention. Those actions were fully reported in the forthcoming report on procurement, which would be presented to the Committee later in June.

86. A question had been raised on the relationship between the Deloitte study and General Assembly resolution 59/288 and on the action taken by the Secretariat to implement that resolution. The review of internal controls conducted for the Procurement Service had not been related to resolution 59/288. Actions taken by the Secretary-General to implement the resolution would be detailed in the aforementioned report on procurement.

87. A request had been made for statistics on United Nations Headquarters contracts in respect of which disputes had arisen in the past few years and had resulted in financial losses to the Organization. Information on contract disputes was being compiled with the assistance of the Office of Legal Affairs and would be provided in due course. On the question of who had commissioned the individual studies on procurement, all such studies commissioned by the Secretariat were requested under the authority of the Secretary-General.

88. One delegation had asked the Secretariat to indicate where, in the report of the Independent Inquiry Committee, reference was made to findings of fraud within the Procurement Service. It had also requested clarification of the relationship between that Committee's findings and the current investigation. The references to procurement irregularities appeared in the interim reports dated 2 February 2005, 29 March 2005 and 8 August 2005. It had been found that the selection of contractors did not conform to established financial and competitive bidding rules and that there had been consistent violations of prescribed procurement procedures, unfair practices and a failure to appropriately document decision-making processes; those findings were reflected on pages 16, 17, 18, 109 and 110 of the interim report dated 2 February 2005. Moreover, page 72 of the interim report dated 8 August 2005, indicated that a bribe had been solicited by Mr. Yakovlev. The relationship between the Independent Inquiry Committee findings and the current investigation was that the investigation had been launched following the guilty plea of Mr. Yakovlev, which had resulted from a criminal

investigation based upon evidence provided in the Committee report.

89. With respect to the question raised about comments by senior officials that tended to discredit the United Nations, damage done to the Organization's reputation was difficult to assess in objective terms, as it was in many ways a matter of perception. Responsibility for the damage could not be determined in any case until all ongoing investigations were completed.

90. With respect to the kind of information that had been sought by the Secretariat from Member States, investigators had to seek information from many parties, including, among others, Member States and their law enforcement authorities. The Secretariat had urged Member States to share information, as it recognized how essential and useful such cooperation could be.

91. It had been asked why the Under-Secretary-General for Management had purportedly shifted responsibility for procurement irregularities from the Department of Peacekeeping Operations to the Office of Central Support Services and the Assistant Secretary-General in the Office. No responsibility had been shifted and any determination of such responsibility would have to await the outcome of ongoing investigations. Likewise, no one had been blamed or disciplined.

92. The Secretariat had been requested to provide details on the specific additional staff requests made by the Procurement Service for the period 2003/04 and prior periods going back to 2000. While the Service had sought 5 additional posts in 2002/03, 1 post had been approved by the General Assembly. At the same time, other areas of the Department of Management had sought 26 additional posts and the Assembly had approved 9 of the 10 positions submitted to it. For 2001/02, the Procurement Service had sought 4 posts, all of which had been supported by the Department of Management, but the General Assembly had approved none of them. For 2000/01, the Service had sought 25 posts; 3 had been supported by the Department, and the Assembly had again approved none of them.

93. Another question related to why the Controller had sought bids from consulting firms that had long-term agreements with the United Nations Development Programme (UNDP). The aim had been to arrange for a systems study conducted by experts in procurement. That had not involved either an audit or an investigation and, as such, had not fallen within the scope of either the Office of Internal Oversight Services (OIOS) or the Board of Auditors. The firms which had been shortlisted were Accenture, Arthur D. Little of Sweden and Deloitte Consulting.

94. With respect to the status of the Deloitte report, a more comprehensive analysis of the status of the recommendations contained therein would be provided in the comprehensive procurement report to be submitted to the General Assembly in the near future. It had been asked whether the Committee could be provided with a copy of the views of the Assistant Secretary-General in the Office of Central Support Services on the Deloitte report. It was not possible, as the comments of the Department of Management had already been provided to Deloitte.

95. As to whether the Deloitte study on procurement had been the only such study, the Deloitte study had been the only one that had reviewed the Procurement Service's internal controls in depth. A procurement study conducted by the National Institute of Governmental Purchasing had not focused on internal controls.

96. Concerning the reasons why the Deloitte report was being used as a reference point, it was the most thorough and up-to-date review available of the Procurement Service's internal controls. As Deloitte had specifically addressed internal controls, the use of its findings as a benchmark to further improve the internal controls within the Procurement Service was a prudent risk-management strategy.

97. Concerning the Deloitte study of the Office of Programme Planning, Budget and Accounts, the study had been commissioned by the Secretariat following repeated requests by the General Assembly, on the recommendation of ACABQ, that an external review should be conducted of the Accounts Division. The scope had been broadened to cover the entire Office because such an external review had not been done for many years. There had been a competitive bidding process under established rules and procedures. The study would not fall within the province of OIOS or the Board of Auditors, as the request from the Advisory Committee had been for an external study.

98. Lastly, he drew attention to the written supplementary information, which provided responses

by the Audit Operations Committee of the Board of Auditors.

99. **Mr. Knutsen** (Officer-in-Charge of the Internal Audit Division, Office of Internal Oversight Services) said that OIOS would be providing the Committee with a comprehensive update on the recommendations it had made in the management audit of the Department of Peacekeeping Operations. The audit had been instrumental in highlighting the roles that oversight could play in improving the work of the Organization and enhancing its efficiency and effectiveness.

100. Some delegations had raised questions that warranted serious and frank discussion of the roles of management, internal audit, the Board of Auditors and other external review entities in improving the overall internal control environment of the Secretariat. Some of the OIOS findings and methods had been challenged in the process. OIOS did not agree with the comments which questioned the professionalism of its audit work and, in particular, the Department of Peacekeeping Operations comprehensive audit.

101. OIOS, along with other United Nations internal audit bodies, had adopted the Professional Practices Framework of the Institute of Internal Auditors as its modus operandi. One of the standards established in that framework was that in performing their work internal auditors should be independent and objective. In conducting the comprehensive Department of Peacekeeping Operations management audit, OIOS had fully met that standard.

102. There had also been some questions regarding the OIOS role in assessing internal controls in the areas audited. All audit assignments included a review of the internal controls of the areas being audited. Any internal control weaknesses found during audits were routinely brought to the attention of management for corrective action.

103. OIOS had stressed, in discussions with senior United Nations management, that reform of the Financial Regulations and Rules to suit the particular circumstances of peacekeeping operations was not warranted because the Financial Regulations and Rules provided the required principles and framework for transparency and accountability without prohibiting flexibility when needed.

104. **Mr. Aljunied** (Singapore) said he would review the lengthy responses provided by the Secretariat and return to them at a later date. He would like to ascertain whether all the questions had been adequately addressed. It seemed that some might have been omitted.

105. The written supplementary information mentioned that a briefing had been given on the Deloitte report shortly after its issuance. Unfortunately, that briefing had been held at the same time as an equally important meeting. Furthermore, the Committee had not had an opportunity to properly analyse the findings of the report. The supplementary information indicated that management had already implemented a number of recommendations which had been deemed to require immediate attention. He asked what those recommendations were and on what basis they had been considered urgent. He was confused by the response given to the question concerning the possibility of providing the Committee with a copy of the views expressed by the Assistant Secretary-General in the Office of Central Support Services on the Deloitte report. He failed to see the link between the comments made by the Department of Management to Deloitte and the issue of whether the Assistant Secretary-General's views had also been conveyed to Deloitte.

106. **Mr. Karia** (Director of the Accounts Division, Office of Programme Planning, Budget and Accounts) said that there were some 14 findings detailed in the Deloitte report. Some were classified as requiring immediate implementation, while others were classified as requiring implementation in the medium and long terms. Full details on the findings were provided in the report that was being prepared and would soon be made available to the Committee.

The meeting rose at 12.45 p.m.